

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

_____)	
In the Matter of)	
)	
RITE AID CORPORATION,)	
a corporation;)	Docket No. C-4191
)	
and)	
)	
THE JEAN COUTU GROUP (PJC), INC.,)	
a corporation.)	
_____)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Rite Aid Corporation (“Rite Aid”) has entered into an agreement to (1) acquire 100 percent of the common and preferred shares of the wholly-owned subsidiary, The Jean Coutu Group (PJC) USA, Inc. (“Jean Coutu USA”) from its parent company, Respondent The Jean Coutu Group (PJC), Inc. (“Jean Coutu”), and (2) issue 30 percent of its own common stock to Jean Coutu, all subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

Rite Aid Corporation

PARAGRAPH ONE: Respondent Rite Aid is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 30 Hunter Lane, Camp Hill, Pennsylvania 17011.

PARAGRAPH TWO: Respondent Rite Aid is a retail drug store chain which, at all times relevant hereto, has been engaged in the retail sale of pharmaceutical items, cosmetics, beauty supplies and perfume, convenience foods, and other items in the United States. Rite Aid operates 3,319 stores under the Rite Aid trade name.

PARAGRAPH THREE: Respondent Rite Aid is, and at all times relevant hereto has been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

Jean Coutu

PARAGRAPH FOUR: Respondent Jean Coutu is a corporation organized, existing, and doing business under and by virtue of the laws of the Province of Quebec, with its office and principal place of business located at 530 Beriault Street, Longueuil, Quebec, Canada J4G1S8.

PARAGRAPH FIVE: Respondent Jean Coutu owns and operates retail drug store chains and at all times relevant hereto, has been engaged in the retail sale of pharmaceutical items, cosmetics, beauty supplies and perfume in the United States. Jean Coutu, through its wholly-owned subsidiary, Jean Coutu USA, operates 1,858 stores under the Brooks and Eckerd trade names.

PARAGRAPH SIX: Respondent Jean Coutu is, and at all times relevant hereto has been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

The Proposed Acquisition

PARAGRAPH SEVEN: On or about August 23, 2006, Rite Aid entered into a Stock Purchase Agreement to acquire and merge with Jean Coutu USA ("the Acquisition"). Pursuant to this Stock Purchase Agreement, Rite Aid will acquire Jean Coutu USA, and thus the Eckerd and Brooks retail pharmacy chains, in exchange for approximately \$3.5 billion worth of cash and stock. As a result of the merger, Rite Aid will hold 100 percent of the common and preferred shares of Jean Coutu USA and Jean Coutu will acquire approximately 30 percent of the voting securities of Rite Aid.

The Relevant Markets

PARAGRAPH EIGHT: For purposes of this Complaint, the relevant line of commerce (*i.e.*, the product market) in which to analyze the Acquisition is the retail sale of pharmacy services to cash customers in local markets. Pharmacy services include the provision of prescription medications by a licensed pharmacist who is able to provide usage advice and other relevant information as may be required by law. Cash customers are consumers of pharmacy services that do not pay a price negotiated by or paid through a third party (such as an insurance plan or a pharmacy benefits

manager). Cash customers generally pay the full posted or list price set by a pharmacy for a prescription drug or some discounted amount of a posted or list price set by a pharmacy.

PARAGRAPH NINE: For purposes of this Complaint, the relevant sections of the country in which to analyze the effects of this Acquisition are:

- a. the town of Stafford, Connecticut;
- b. the town of Denton, Maryland;
- c. the town of Gardiner, Maine, and the town and census-designated place of Randolph, Maine;
- d. the city of Berlin, New Hampshire;
- e. the town of Pelham, New Hampshire;
- f. the town of Peterborough, New Hampshire;
- g. the borough of Penns Grove, New Jersey;
- h. the towns of Arcade and Yorkshire, New York;
- i. the town of Boonville, New York;
- j. the town of Grand Island, New York;
- k. the village of Lake Placid, New York;
- l. the village of Le Roy, New York;
- m. the city of Mechanicville, New York;
- n. the town of Owego, New York;
- o. the borough of Brownsville, Pennsylvania, and the census-designated place of Grindstone-Rowes Run, Pennsylvania;
- p. the borough of Mercer, Pennsylvania;
- q. the borough of Moscow and the township of Covington, Pennsylvania;
- r. the census-designated place of Mountain Top, Pennsylvania;

- s. the boroughs of Zelienople and Harmony, Pennsylvania;
- u. the incorporated village of Bellows Falls, Vermont, and the town of Walpole, New Hampshire;
- v. the village of Lyndonville, Vermont;
- w. the town of St. Johnsbury, Vermont; and
- x. the city of Franklin, Virginia.

PARAGRAPH TEN: The relevant markets set forth in Paragraph Nine are highly concentrated, whether measured by the Herfindahl-Hirschmann Index (“HHI”) or two-firm and four-firm concentration ratios. The Acquisition would substantially increase concentration in each such market.

Entry Conditions

PARAGRAPHELEVEN: Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant markets.

Effects of the Acquisition

PARAGRAPH TWELVE: The effect of the acquisition, if consummated, may be to substantially lessen competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. by eliminating actual, direct, and substantial competition between Respondents Rite Aid and Brooks or Eckerd in the relevant markets; and
- b. by increasing the likelihood that the combined Rite Aid/Brooks-Eckerd will unilaterally exercise market power in the relevant markets;

each of which increases the likelihood that the prices of pharmacy services to cash customers will increase, and the quality and selection of such services will decrease, in the relevant sections of the United States.

Violations Charged

PARAGRAPH THIRTEEN: The acquisition agreement described in Paragraph Seven violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and the proposed acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this first day of June, 2007, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: